

Message Text

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ACTION STR-06

INFO OCT-01 NEA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
SOE-02 OMB-01 DOE-11 OIC-02 AF-10 ARA-10 EA-10
EUR-12 /156 W

-----129934 122156Z /70

R 121703Z JAN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 4683
INFO AMEMBASSY ISLAMABAD

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PASS STR ELECTRONICALLY FOR STEWART

PASS TREASURY FOR BARBER

E.O. 11652: N/A
TAGS: ETRD, GATT
SUBJECT: GATT BOP CONSULTATIONS - PAKISTAN

1. IN DISCUSSION WITH PAK DEL (HAMID) ON GATT BOP
CONSULTATIONS NOW SCHEDULED FOR JANUARY 19, HAMID CON-
FIRMED THAT NO EXPERTS WILL BE SENT FROM ISLAMABAD AND
THAT HE WILL BE GOP REP.

2. HAMID AGAIN CLAIMED THAT GOP REFUSAL TO SEND DELE-
GATE REFLECTED GENERAL GOP DISENCHANTMENT WITH GATT
PROCEDURES. HE SAID THAT PAKISTAN BELIEVES IT GETS
VERY LITTLE OUT OF GATT, AND ISLAMABAD DIDN'T BELIEVE
IT WORTH THE EFFORT TO SEND EXPERTS TO GENEVA FOR BOP
CONSULTATIONS WHICH PAKISTANIS DO NOT VIEW AS CONSTRUC-
TIVE.

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3. IN THIS REGARD, HAMID SAID THAT CONSTRUCTIVE NATURE
OF CONSULTATIONS COULD BE ENHANCED IF COMMITTEE'S
RECOMMENDATIONS AND CONCLUSIONS PERTAINED NOT ONLY TO
WHAT POLICIES PAKISTAN SHOULD FOLLOW BUT ALSO TO WHAT
OTHERS MIGHT DO TO ALLEVIATE PAKISTAN'S BOP SITUATION.
WHAT THE COMMITTEE MIGHT DO, HE SAID, WOULD BE (1) TO

RECOMMEND (URGE, EXPRESS HOPE, ETC.) THAT THOSE COUNTRIES MAINTAINING RESTRAINTS AGAINST PAKISTAN'S EXPORTS ENDEAVOR TO REMOVE THEM AND (2) URGE THOSE COUNTRIES RUNNING SIGNIFICANT BILATERAL SURPLUSES WITH PAKISTAN TO TAKE STEPS TO APPROVE ACCESS TO THEIR MARKETS FOR PAKISTANI PRODUCTS. HE ARGUED THAT THIS APPROACH WAS CONSISTENT WITH ARGUMENTS ON CONSTRUCTIVE NATURE OF BOP CONSULTATIONS THAT U.S. HAS MADE IN MTN FRAMEWORK GROUP. WE REMAINED NONCOMMITTAL, NOTING THAT THE INTERPRETATIVE NOTES TO ARTICLE XII (WHICH ALSO APPLY TO ARTICLE XVIII CONSULTATIONS) CALL FOR CONSULTATIONS TO TAKE INTO ACCOUNT EXTERNAL FACTORS SUCH AS QR'S, EXCESSIVE TARIFFS, ETC., WHICH MAY BE CONTRIBUTING TO BOP DIFFICULTIES OF THE CP APPLYING BOP RESTRICTIONS (SEE GATT BISD IV PAGE 67).

4. IN RESPONSE TO OUR QUESTIONS, HAMID SAID THAT, TO HIS KNOWLEDGE, PAKISTAN DOES NOT MAINTAIN A SURCHARGE ON IMPORTED PRODUCTS. TWENTY PERCENT SURCHARGE INSTITUTED FOR 77/78 BUDGET HAS BEEN INCORPORATED IN DUTY INCREASES TO BE RENEGOTIATED UNDER GATT WAIVER. ACCORDING TO HAMID, THESE INCREASES VIEWED AS REVENUE MEASURE RATHER THAN TEMPORARY BOP AND GOP CONSIDERS THEM LIKELY TO BE PERMANENT. HE DID NOT RULE OUT SIMILAR FUTURE INCREASES IN TARIFFS IF GOP FOUND THEM NECESSARY TO INCREASE REVENUES TO MEET BUDGETARY DEFICITS. NOR LIMITED OFFICIAL USE

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COULD HE INDICATE WHAT GATT PROCEDURE GOP LIKELY TO FOLLOW IF SUCH FUTURE INCREASES ARE NECESSARY.

5. IN DISCUSSING FUTURE PROGNOSIS FOR BOP, HAMID SAID GOP DOES NOT EXPECT SITUATION TO IMPROVE APPRECIABLY IN NEXT FEW YEARS. CONTINUED ECONOMIC STAGNATION IN MAJOR MARKETS (EC TAKES NEARLY ONE-FOURTH OF PAKISTANI EXPORTS) PLUS NEW RESTRICTIVE MEASURES ON MAJOR PAKISTANI EXPORTS DO NOT AUGUR WELL FOR IMPROVEMENT IN TRADE BALANCE. HAMID CLAIMS NEW TEXTILE BILATERAL WITH EC IS PARTICULARLY DISAPPOINTING FOR EXPORT OUTLOOK SINCE COTTON PRODUCTS ARE PAKISTAN'S ONLY MAJOR MANUFACTURED EXPORT AND ACCOUNT FOR APPROXIMATELY 25 PERCENT OF PAKISTAN'S EXPORT EARNINGS. EC BILATERALS WITH OTHER FAR EAST TEXTILE EXPORTERS, PARTICULARLY HONG KONG, WILL ALSO HURT PAKISTAN EXPORT POTENTIAL SINCE THESE COUNTRIES IMPORT INTERMEDIATE TEXTILE MATERIALS FROM PAKISTAN (MAINLY COTTON YARN) FOR FURTHER PROCESSING.

6. COMMENT: ALTHOUGH HAMID'S ARGUMENTS ARE NOT NEW AND HAVE BEEN REPEATEDLY RAISED BY ONE OR MORE LDC'S IN FRAMEWORK GROUP, WE EXPECT THAT HAMID, PERHAPS IN

COOPERATION WITH SOME OF THE DEVELOPING COUNTRIES ON THE COMMITTEE, WILL ATTEMPT TO GET THE COMMITTEE TO MAKE RECOMMENDATIONS AS OUTLINED IN PARA 3. U.S. SHOULD BE PREPARED EITHER TO JOIN IN SUCH CONCLUSIONS OR TO GIVE SUFFICIENT REASONS WHY SUCH RECOMMENDATIONS ARE INAPPROPRIATE. WHILE WE MAY NOT WISH TO JOIN IN CONCLUSIONS AS OUTLINED BY HAMID, COMMITTEE CONSIDERATION AND ACKNOWLEDGEMENT THAT RESTRAINTS ON PAKISTANI EXPORTS MAY BE IMPEDING IMPROVEMENT IN EXPORT EARNINGS WOULD SEEM TO BE BOTH WITHIN COMPETENCE OF COMMITTEE AND CONSISTENT WITH U.S. ARGUMENTS ON CONSTRUCTIVE NATURE OF CONSULTATIONS. VANDEN HEUVEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, COMMITTEE MEETINGS, MEETING DELEGATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978GENEVA00430
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780019-0141
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780169/aaaacglw.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7139fce3-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3783281
Secure: OPEN
Status: NATIVE
Subject: GATT BOP CONSULTATIONS - PAKISTAN
TAGS: ETRD, PK, GATT
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7139fce3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014